

Message Text

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11
ORIGIN ARA-10

INFO OCT-01 ISO-00 AID-05 EB-07 COME-00 TRSE-00 OMB-01

FRB-03 XMB-02 SP-02 CIAE-00 DODE-00 INR-07 NSAE-00

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DRAFTED BY ARA/LA/CAR:WBWHEELER:FBL
APPROVED BY ARA:JGRUNWALD
ARA/CAR:TJCHEAVNER

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R 230542Z JUL 76
FM SECSTATE WASHDC
TO AMEMBASSY NASSAU

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E.O. 11652: N/A

TAGS: EAID, IDB, BF

SUBJECT: BAHAMAS MEMBERSHIP IN INTER-AMERICAN DEVELOP-
MENT BANK

1. SUMMARY. IN CALL ON DEPUTY ASSISTANT SECRETARY GRUNWALD
AMBASSADOR JOHNSON REQUESTED USG SUPPORT FOR BAHAMIAN
MEMBERSHIP IN THE IDB ON CONDITIONS THAT WOULD NOT PRE-
CLUDE ACCESS TO THE IDB FSO (SOFT) LOANS. HE SAID THE
BAHAMAS HOPED TO JOIN THE IDB ON THE SAME CONDITIONS AS
GUYANA AND CONSIDERED THE IDB PROPOSED AMOUNT OF PAID IN
CAPITAL REQUESTED OF THE BAHAMAS TO BE HIGH IN COMPARISON
TO OTHER COUNTRIES. GRUNWALD RESPONDED THAT THE ISSUES
RAISED WERE MATTERS THAT WOULD HAVE TO BE RESOLVED BY THE
IDB AND NOT THE USG. HE STATED THAT THE USG HAD NOT TAKEN
A DEFINITE POSITION ON ACCESS TO FSO BUT WOULD REVIEW THE
ISSUE AT AN INTER-AGENCY (NAC) MEETING.

2. AMBASSADOR JOHNSON CALLED ON MR. GRUNWALD DURING AFTER-
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NOON OF JULY 21 TO DISCUSS THE CONDITIONS PROPOSED BY THE

IDB FOR BAHAMIAN MEMBERSHIP IN THE BANK. JOHNSON STATED THAT THE GCOB WISHED TO JOIN THE IDB BUT WOULD HOPE TO DO SO ON THE SAME CONDITIONS AS GUYANA. HE NOTED THE PRECEDENT OF MEMBERSHIP IN THE WORLD BANK WHERE ENTRY REQUIREMENTS HAD BEEN THE SAME FOR THE BAHAMAS AS FOR GUYANA.

THE GCOB BELIEVES THE DOL. 7.2 MILLION IT BEING REQUESTED TO PAY IN AS ORDINARY CAPITAL IS HIGH IN COMPARISON TO GUYANA AND OTHER COUNTRIES AND THAT THE PROPOSED THREE YEAR PAYMENT PERIOD IS STRINGENT. GCOB CONSIDERS IT WAS VERY IMPROPER TO SUGGEST THAT THE BAHAMAS WOULD BE PRECLUDED FROM FSO LENDING SINCE OTHER COUNTRIES HAD NOT BEEN CONFRONTED WITH SUCH A PRECONDITION FOR ENTRY. JOHNSON IMPLIED THAT THE GCOB WAS NOT PREPARED TO JOIN THE IDB UNDER THESE CONDITIONS, PARTICULARLY IF EXCLUDED FROM THE FSO.

3. MR. GRUNWALD STATED THAT THE USG HAD NOT FULLY DEFINED ITS POSITION WITH REGARD TO BAHAMIAN ACCESS TO FSO LOANS. THIS WAS AN ISSUE FOR THE IDB AND WE WOULD LIKE THE IDB TO UNDERTAKE AN ANALYSIS AND PRESENT ITS POSITION. THE STATE DEPARTMENT WAS SYMPATHETIC TO BAHAMIAN CONCERNS REGARDING ENTRY INTO THE IDB. THERE WAS, OF COURSE, THE QUESTION OF THE BAHAMAS VERY HIGH GNP PER CAPITA. ALTHOUGH GNP FIGURES ADMITTEDLY WERE DISTORTED, IT WAS DIFFICULT TO CONCLUDE GNP PER CAPITA WAS LESS THAN COUNTRIES THAT DO NOT HAVE ACCESS TO FSO. GRUNWALD SAID THE BAHAMIAN CASE WOULD BE PLACED ON THE NAC AGENDA FOR USG INTER-AGENCY REVIEW. WE WOULD BE GLAD TO CONSIDER ANY RELEVANT DATA THE GCOB COULD PROVIDE.

4. AMBASSADOR JOHNSON SAID THAT THE GCOB DOES NOT HAVE NATIONAL INCOME ACCOUNTS BUT HE DISPUTED GNP ESTIMATES OF THE WORLD BANK AS BEING HIGH. HE CITED HIS UNDERSTANDING THAT GNP WAS NOT THE ONLY CRITERIA AND NOTED THAT THE BAHAMAS DOES NOT HAVE A BROAD BASED ECONOMY. HE ARGUED THAT THE BAHAMAS SHOULD NOT BE CONSIDERED IN THE SAME CATEGORY AS "INDUSTRIAL GIANTS" SUCH AS BRAZIL, MEXICO, ARGENTINA AND VENEZUELA. HE NOTED THAT THE BAHAMAS IS A SMALL COUNTRY OF 200,000 PEOPLE DEPENDENT LIMITED OFFICIAL USE

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UPON THE TOURIST INDUSTRY WHICH COULD BE ADVERSELY AFFECTED BY US TAX REFORMS, AND HE POINTED TO GUYANA'S LARGER POPULATION AND MORE ABUNDANT NATURAL RESOURCES. GRUNWALD CITED THE SUBSTANTIAL DISPARITY IN INCOME LEVELS AND OBSERVED THAT WITH RESPECT TO OTHER CRITERION SUCH AS LITERACY RATES THE BAHAMAS RANKS HIGH.

4. IN ANSWER TO A QUESTION ABOUT LOANS THAT THE GCOB

MIGHT REQUEST OF THE IDB, JOHNSON REPLIED THAT THERE WAS NOTHING ON THE DRAWING BOARD AT PRESENT. THE BAHAMAS WERE INTERESTED IN FISHERIES AND AGRICULTURAL DEVELOPMENT BUT AGREED THESE WOULD PRESUMABLY BE ORDINARY CAPITAL LOANS IF PROJECTS WERE DEVELOPED.

6. JOHNSON STATED THAT THE IDB CHARTER WOULD NOT PRECLUDE ACCESS TO FSO LOANS AND THE DECISION NOT TO RESORT TO SUCH LENDING SHOULD BE THAT OF THE GCOB AND NOT A PRECONDITION OF ENTRY INTO THE IDB REQUIRED ONLY IN THE CASE OF THE BAHAMAS.

7. JOHNSON EMPHASIZED THAT GCOB INTERESTS ARE MORE IN TUNE WITH THOSE OF THE US AND CANADA THAN WITH "THIRD WORLD" COUNTRIES AND NOTED COOPERATION ON UN ISSUES SUCH AS ISRAEL AND KOREA. HE SAID THE GCOB WOULD LIKE TO BE ASSURED THAT THE BAHAMAS HAD THE SYMPATHY OF THE USG AND THAT WE WOULD NOT DO ANYTHING TO HINDER THE BAHAMIAN POSITION. GRUNWALD REPLIED THAT WE VALUE THE BAHAMAS FRIENDSHIP AND DO NOT WANT THE BAHAMAS TO BE DISCRIMINATED AGAINST.

8. FYI: THE IDB EXECUTIVE DIRECTORS HAVE AGREED ON MEMBERSHIP QUOTAS FOR THE BAHAMAS AND GUYANA. THESE QUOTAS AND THOSE OF SOME OTHER MEMBER COUNTRIES ARE AS FOLLOWS:

ORDINARY CAPITAL SUBSCRIPTION	FSO
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THE BAHAMAS	24.1 (3.6) (3.6) 30 6.3 0.4
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GUYANA	18.6 (2.3) (2.3) 24 5.0 0.3
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BARBADOS	8.5 (1.3) (1.3) 28 0.8 --
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8 ORIGINAL

SMALL COUNTRIES	28.5 (2.5) (2.5) 17 9.0 --
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COSTA RICA, EL SALVADOR, HAITI, HONDURAS, NICARAGUA, PANAMA, PARAGUAY AND TRINIDAD AND TOBAGO.

9. DEPARTMENT WILL KEEP EMBASSY NASSAU INFORMED ON FURTHER SIGNIFICANT DEVELOPMENTS ON THIS MATTER. ROBINSON

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